

INSIGHTS



Cyclopedic
consulting

2025/11/18

RISK MANAGEMENT: INCREASE YOUR ODDS OF WINNING, LET'S PLAY

The business of running a company is a high stake, unpredictable game of chance, like a poker tournament in a casino. The company's ultimate objective as a player is to win the entire tournament, not just a single hand and at the very least, to be considered a fierce contender.

The goal of the game isn't to eliminate chance (that is impossible), but to systematically stack the odds in your favour over the long run.



There are seven primary stages of the risk management lifecycle, for ease in conceptualising the process, place them into three key tasks.

The lifecycle of Risk Management moves methodically from a list of tasks to a strategic, adaptable framework.

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3 Risk Management Tasks

Key Task	Stages	Focus
1. Risk Analysis & Evaluation	1. Context Establishment 2. Risk Identification 3. Risk Assessment	"What are our risks and how bad are they?" This is the diagnostic phase where risks are discovered, understood, and prioritised.
2. Risk Treatment & Response	4. Risk Response 5. Risk Mitigation	"What are we going to do about them?" This is the action phase where plans are made and executed to address the prioritised risks.
3. Risk Monitoring & Communication	6. Risk Monitoring 7. Risk Reporting	"How are we doing and who needs to know?" This is the oversight phase where the program (entire cycle) is tracked, reviewed, and communicated to stakeholders.

Group 1: Risk Analysis & Evaluation

This is the foundation of the entire process. Without a proper analysis, your actions will be misdirected.

Know the table.

- **Context Establishment:** Define the internal and external environment for risk management (e.g. organisational objectives, risk appetite, scope). This sets the rules of the game.
 - ❖ When you get to the table, you don't just sit down and gamble. You understand the context.

E.g. This is a No Limit Texas Hold'em tournament with a R10,000 buy in. The prize pool is R1 million. Your objective is to survive and accumulate chips. Your risk appetite is "aggressive but calculated."

This context sets all the rules for your decisions.



- **Risk Identification:** Brainstorm and research potential events that could threaten the achievement of objectives.
 - ❖ You look around the table. What are the risks?
 - Risk 1: The player to your right is a known "maniac" who goes all-in frequently.
 - Risk 2: You have a short chip stack, and the blinds (mandatory first bets) are increasing soon.
 - Risk 3: You might be dealt a tempting but ultimately weak hand.
- **Risk Assessment:** Analyse the identified risks by estimating their likelihood and potential impact. This leads to risk prioritisation, separating minor issues from critical threats.
 - ❖ The maniac player is a High Likelihood, High Impact risk. He can eliminate you at any moment. PRIORITY 1.
 - The increasing blinds are a High Likelihood, Medium Impact risk. It will pressure you, but not immediately. PRIORITY 2.
 - A weak hand is a Probable (Medium) Likelihood, Low Impact risk if you fold it. But it becomes a High Impact risk if you play it poorly. PRIORITY 3.

The Value: A novice player just sees cards. You now see a prioritised landscape of threats and opportunities. You've turned an unpredictable game into a structured problem.

Group 2: Risk Treatment & Response

This is the action phase where you move from understanding the risks to actively managing all of them.

(E.g. making your move and deciding how to handle your #1 priority: the maniac player).

- **Risk Response:** Decide on the overall strategy for each risk. The four classic responses are - Avoid, Mitigate, Transfer, or Accept.
 - ❖ Avoid: Get up and change tables. (You eliminate the risk entirely but also lose any opportunity the maniac presents – he is reckless).
 - Mitigate: Wait for a premium hand and then call his all-in. You are reducing the risk by only engaging when your odds are highest.



Transfer: Encourage another strong player to engage with him, hoping they knock each other out. (You transfer the risk of confronting him to someone else).

Accept: Do nothing different, just acknowledge he's there and hope you get lucky. This is a high risk/high reward, potentially losing strategy.

Now select the best option to respond to the risk and detail your strategy:

- **Risk Mitigation:** This is a specific action plan (response), known as the mitigate response. Your treatment involves designing and implementing controls, processes and measures to reduce the likelihood or impact of a risk.
 - ❖ A specific mitigation action is: "*I will only enter a pot with him if I have pocket Aces, Kings, or Ace King. I will fold everything else.*" This is your control measure. You are not leaving it to chance; you are executing a precise plan to reduce the risk.

The Value: You are no longer reacting to chaos and anarchy. You are proactively shaping the game. You are using the maniac's predictable behaviour against him, thereby increasing your odds of a favourable outcome.

Group 3: Risk Monitoring & Communication

Risk management is not a onetime project. These tasks ensure the process remains dynamic, relevant, and accountable.

Stay in the game, the game is dynamic, your initial analysis and plan alone, are not enough.

- **Risk Monitoring:** Continuously track identified risks, watch for new risks, and evaluate the effectiveness of your risk controls and treatments over time.
 - ❖ You continuously monitor:
 - Is the maniac getting tired or changing his strategy?
 - Has a new, even more skilled player sat down? (A new risk emerges).
 - Is your selected, fold everything, mitigation strategy working? Are you losing too many blinds?
- **Risk Reporting:** Communicate the status of risks, the performance of the risk management framework, and emerging threats to stakeholders (e.g. management, board, employees). This creates transparency and supports informed decision making.

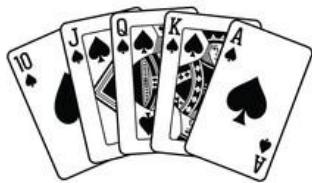


❖ Examples

In a company, you could report to the Board - Our mitigation strategy is working; we've doubled our stack through the maniac without a major confrontation.

In the tournament, you could account (report) to yourself - My chip position is strong, but a new threat has emerged at the table. I need to reassess my priorities.

The Value: You avoid complacency. By constantly monitoring and reporting, you ensure that your strategy evolves with the game, allowing you to adapt and seize new opportunities while protecting against new threats. This continuous feedback loop is what separates a onetime lucky winner from a consistent champion.



In the unpredictable game of chance that is the business world, a company that only reacts (Group 2: Treatment & Response) without first analysing (Group 1: Risk Analysis & Evaluation) is just gambling. A company that creates a plan (Group 2: Treatment & Response) but never monitors (Group 3: Risk Monitoring & Communication) will be blindsided by change.

A company that masters all three groups (the seven stages) is not playing a game of chance; it is playing a game of strategy and probability. It uses the risk management process as its card counting technique, systematically shifting the odds in its favour over the long term, turning uncertainty from a threat into its greatest advantage.

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